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# A Provincial Elevator System

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To be Operated by an Independent Commission

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## AN OUTLINE OF THE SUBJECT CONSIDERED UNDER THE FOLLOWING HEADS:

Why it is Necessary.—What it would Consist of.—What it would Cost.—Fears for the Success of the Government System unless it be made a Legal Monopoly, unwarranted.—How it would be Supervised.—How it would be Operated.—What Benefits would Accrue to the Farmers and others from its Operation.—How to Obtain it.

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Issued under the direction of the Interprovincial Council  
of Farmers' Associations.

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*The EDITH and LORNE PIERCE  
COLLECTION of CANADIANA*



*Queen's University at Kingston*

# A Provincial Elevator System

TO BE OPERATED BY AN INDEPENDENT COMMISSION

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## Why it is Necessary

THE Grain Growers' Association is an institution which has for its object the improvement of the condition of those who depend for their living upon the cultivation of the soil.

It is part of the world-wide protest of the workers against the wrongs inflicted upon them by the schemers.

It is one form of expression of the natural demand of enlightened men living in the twentieth century, to enjoy God's bounties and the fruits of their labor grown so abundant through man's ever-increasing mastery over the forces of nature.

The first step towards the improvement of conditions is the discovery of the cause of the trouble.

There is in this case a primary and a secondary cause.

Our farmers as a class do not recognize and are not prepared to deal with the **primary cause**, which is **privilege based on monopoly by individuals of man's common heritage—the earth.**

They have, however, discovered the immediate cause of their failure to enjoy the fruits of their labors.

It is because the price of nearly every article which they consume has been artificially raised by combinations among the manufacturers or the dealers, while the price of their own product (grain), instead of being artificially raised by a combination among themselves to keep pace with the rise of those things which they consume, has been artificially reduced by a combination of the large milling and elevator interests.

The grain trade of the West is practically in the hands of a small group of milling and elevator companies, which, by means of their possession of the storage facilities throughout the three provinces, are able to throttle all real competition, both as buyers in the country and sellers in the secondary and ultimate markets.

Possessing nearly all the storage at country points, they are able to buy considerably over half the grain by the wagon load at prices very much under the quotations for car lots, since many farmers, pressed by their creditors, and prevented by lack of cars from shipping in car lots, are forced to take whatever those possessing the storage facilities care to offer. The grade given for this street wheat is often as much lower than the real grade as the price given is lower than the real value. The giving of light weight, taking heavy dockage, the putting out of wheat of inferior quality in place of the farmers' special binned grain, the frequent refusal of special binning privileges, and putting barriers in the way of farmers making shipment through their houses to rival dealers are additional advantages which the possession of storage gives them over their competitors.

Much of the terminal storage is also in the hands of those who own the country elevators.

The investigation which took place with respect to the Duluth terminals indicates that the illegitimate profits of terminals may be very large. At Duluth it was found that, while all grades found entry into the terminal elevators, only the higher grades were shipped out.

Terminal elevator owners who are millers or exporters may loan the stored grain of others to themselves to be ground or exported while the owners are waiting for a rise which will never come because the demand has been supplied by the surreptitious use of their own grain.

The great milling companies, in addition to buying much wheat at street prices, by making tests of various types of wheat are able to cull out those having the highest intrinsic value for use in their mills, and send those of the lowest value to the public terminals for export. They also are able to buy much wheat excluded by slight blemishes from the high grades,

which has an intrinsic value equal to the best, putting them in a position to make much larger profits than would be possible were these wheats stored in Government elevators and offered for sale on sample in the Winnipeg markets.

These large milling companies, besides lowering the average quality of the exported surplus by culling out the best at the country points, thus lowering the price against which they must compete, artificially depress Old Country prices by the sale of futures and the sending abroad of exaggerated crop reports during the time that the crop is growing.

It must be evident, then, that the large milling companies with the large elevator companies are able to dictate terms to all other interests in the grain trade, and that of these two the milling companies will be the stronger and set the price for the elevator companies. It is also evident that the milling companies will desire to keep prices at a low level while the grain is in the farmers' hands.

When it is necessary to discipline an exporter who has no storage facilities, the elevator owners can undersell him in the ultimate market several cents a bushel and still make a profit.

With this class of exporter out of the business, the track buyers and commission men have no other purchasers for their grain but these same milling and elevator export companies, making these track buyers and commission men dependent upon them for their existence. The threat has been made in the Grain Exchange more than once to pay Fort William prices less the freight on all grain, so as to leave the track buyers and commission men, particularly the more obnoxious ones, without a revenue.

The ability of elevator owners, whether millers or exporters, to extinguish competition, is fully recognized by the trade.

C. B. Watts, in his evidence before the Committee on Agriculture at Ottawa, stated that he considered it impossible to establish a small line of elevators to compete with the owners of the system already established, owing to their determination not to tolerate competition.

The importance the elevator owners attach to the possession of the entire storage system is shown by

their attempt to discourage the establishment of farmers' elevators. There is no doubt that these would have been built at nearly every point in the older settled districts by now but for the determined competition of the regular line elevators, which took the form of reducing storage charges at points where there were farmers' elevators, away below cost of operation, in the hope of putting them out of business, and at the same time discouraging farmers building at other points.

When an attempt was made a few years ago to establish a new Grain Exchange composed of commission men, it failed because the exporters belonged to the Old Grain Exchange and were prohibited by by-law from trading with them, and the commission men dared not get together to form their own export company, recognizing their impotency to maintain it against those who were in possession of the storage facilities.

It will thus be seen that no real competition is possible against those who have entrenched themselves in the elevator system of the country, and that they have now become so strong that nothing but governmental interference will break their monopoly and restore freedom of trade in grain.

#### **What it would consist of**

The demands of the farmers as made by the Inter-provincial Council are best shown by a quotation from the document presented by them to the Premiers.

“(1) That the Government provide purchase by or construction or both at each railway point where any considerable quantity of grain is marketed, elevator facilities with up-to-date equipment for cleaning, weighing and loading grain; that these facilities for the most part be sub-divided into bins of 1,000 bushels capacity, and that the system be operated by the Government direct or through a Commission appointed for that purpose.”

“(2) That the minimum capacity required at each shipping point will be approximately one-third of the quantity annually marketed there. This whole amount need not, however, be provided at the outset, but the storage structure should be so arranged as to admit easily of addition and extension as necessity demands.”

According to the Premiers' reply, in the shipping season of 1907-8 there were 1,334 elevators in the three provinces which handled 42,000,000 bushels of wheat, or an average of 31,500 bushels per elevator. These figures did not, however, take into account the oats, barley and flax which passed through them. The total amount of all kinds of grain handled by them, allowing that 22 per cent. passed over the loading platform in that year, was over 66,000,000 bushels. Allowing that the elevator capacity should be equal to one-third of the amount passing through them in a year, there would be required only 22,000,000 bushels of storage capacity, that is to say, the governments would be required to furnish 752 elevators of average capacity in place of 1,334 then in existence.

### **How it Would be Created**

A representative of the governments would visit each shipping point and find out the amount of storage which would be required, basing his judgment largely upon what use the surrounding farmers would pledge themselves to make of the government elevator for shipping and storage purposes.

An elevator or elevators would be provided at every point that could be included in a system that on an average would pay its way. That is to say, some points, by their excess of revenue over cost, would have to carry other points where cost was not met by the revenue.

The governments would supply the demand as far as possible from the storage now in existence, which they could purchase at a fair valuation, moving excess storage purchased at one point to another point where there was a deficiency. Considerable remodelling would be necessary, such as further subdivision of space, installing of proper cleaning apparatus and connecting of two or more elevators by conveyors and shafting where one was not sufficient for the needs of a point. All building requisites, machinery and supplies, would be bought wholesale. Tank cars would deliver gasoline to every elevator in the system periodically.

### **What it Would Cost**

The average capacity of the 752 elevators referred to above would require to be the same as the average

capacity of the present system, namely, 30,000 bushels, in order to provide the required storage. Employing proper business methods, elevators of this capacity could be built and equipped at the present time for \$5,400 each, but those now in existence should be purchased for very much less, owing to depreciation from age. Within the last few days the Northern Elevator Co. sold a 25,000 bushel elevator with stone foundation and equipped with cleaning apparatus, for \$1,500.00.

Not allowing for depreciation, the requisite 752 elevators would cost \$4,060,800. If a fair amount were allowed for depreciation the cost of purchasing the needed storage for the three provinces would not exceed \$3,000,000.

In establishing their system, the representatives of the governments would endeavor to purchase the storage in existence at any given point.

If the storage were not in excess of the requirements at such point, the price offered would be equal to the cost of duplication, less a proper allowance for depreciation through age.

Where a point was over supplied with storage facilities, the price offered would be equal to the cost of duplication, less a proper allowance for depreciation through age, cost of tearing down excess storage and removing and re-erecting same at another shipping point. The tearing down, removal and re-erection of elevators is quite common, the cost, in the case of an ordinary line elevator rarely exceeding \$1,500.

Should the storage facilities all be purchased, or should more than enough to meet the present requirements be purchased, it could be utilized from time to time to meet the increasing needs of the provinces.

The increase in storage for one year since 1907 has been nine per cent. The acceleration which will be given to railway building in the West by the policy of the present governments leading to a great increase in the production of grain will greatly increase the percentage of storage expansion during the next few years and thus rapidly absorb any excess storage which the governments might acquire, even should they purchase all the elevators now in existence.

In the cost of operation we must consider that where new storage is created at points where the shipment

would be large, the capacity of such elevators will be much more than 30,000 bushels, and consequently the amount of help required will be much less than in a system of smaller elevators.

At points where more than one average-sized elevator will require to be retained to provide the necessary storage, two or more elevators can be connected by conveyors and shafting, and operated by a single staff, except perhaps at the busiest season.

Taking the above facts into consideration, and also the fact that at only a few points will the elevators require to be kept open for the whole of the year, \$720.00 per annum is a fair allowance for salary of the operator.

Cost of operation may be estimated as follows:—

Operator's salary.....	\$720.00
Helper's salary (3 months) .....	135.00
Fuel.....	150.00
Repairs and up-keep .....	150.00
Apportionment of cost of general supervision of system, Commissioners, Staff, etc.....	45.00
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Total cost of operation .....	\$1200.00

Taking the capacity of the average elevator to be 30,000 bushels, and the storage supplied to be equal to one-third the amount passing through, each elevator would have the handling of an average of 90,000 bushels.

At the customary charge of 1 $\frac{3}{4}$  cents per bushel (allowing that  $\frac{1}{4}$  cent is absorbed in insurance of building and contents), the revenue for receiving, cleaning and storing for 15 days and loading into cars of the 90,000 bushels would be \$1,350, sufficient to pay the cost of operation and leave a credit of \$150. But the 1 $\frac{3}{4}$  cents per bushel is only for 15 days' storage. The customary charge for each additional 30 days storage is  $\frac{3}{4}$  cents per bushel at the initial elevators. At the terminal elevators it costs 1 cent per month after the first 15 days.

Delivered grain not sold for export prior to the close of navigation must for the most part be stored either in the initial or terminal elevators until the following May.

Despite the greater cost of storing in the terminal

elevators, farmers desiring to finance on their stored grain are forced to send it forward to obtain weight and grade certificates.

In a government system, however, where these documents could be secured while grain remained in the initial elevator, the tendency to let it lie in store there would be greatly increased.

It is safe to say that on the average three months' storage would be collected on at least the full capacity of the elevator, or an additional revenue from each elevator of \$675. This amount added to the surplus obtained from first storage charges would make a total surplus over cost of operation of \$825 for each elevator. This would be sufficient to meet not only the interest on the bonds sold to furnish the purchase price, but to redeem these bonds within a reasonable term of years.

**Fears for the success of the Government system unless it be made a legal monopoly, unwarranted.**

It has been urged that the owners of private elevators, relying on their brokerage business and purchase of street wheat to make up their losses, could charge less for storage and thus divert business from the government elevators, causing them to be operated at a loss, and for this reason it has been claimed that the government should have a monopoly. Should such tactics be adopted there is no reason why the Government itself should not, in self-protection, adopt the same tactics. It could sell car lots for its patrons on commission and collect the offerings of street wheat into car lot shipments, thus extinguishing the large profits that private operators now make out of the more needy farmers. Their announced willingness to undertake this, if necessary, would make private owners hesitate to challenge the competition of the Governments and incline them to offer their storage facilities at a reasonable price.

It must be remembered that the present determined struggle for Government ownership, together with the excessive use of the loading platform, is due to the revolt of the farmers against the treatment accorded them in private-owned elevators.

This year 33 per cent. of the grain has been shipped over the loading platform, not because it is cheaper

or more convenient to employ this method, but for the reason that it afforded an escape from the exactations of elevator owners.

It is worthy of note that at points where there are well-managed farmers' elevators, they are getting much more than the average of the line elevators at the same points, while the loading platforms at these points are very little used.

It is not a desire to evade elevator charges which drives men to the loading platforms, since saving of labor of hand loading, saving of freight charges on screenings by cleaning before shipment and value of screenings for feeding purposes would in most cases amount to much more than the elevator charges, escaped in using the platform.

Government elevators would be more popular than farmers' elevators. These may sometimes be run to make as much profit as possible for their shareholders out of the farmers who have no financial interest in them. But the chief advantage that a Government elevator will have in attracting grain away from private elevators, apart from the sense of security from improper practices, will be the fact that certificates of weight and grade can be issued on which the farmer can finance until price conditions warrant sale.

Since the revolt against the line elevators has become so pronounced, farmers' elevators at many points have paid handsome dividends, while the line elevators at the same points have taken in so little grain that they must have been run at a loss, unless their peculations were enormous.

The widespread and still growing appreciation of the necessity for breaking the monopoly which private ownership of storage has built up, is the best assurance that a Government system would be patronized, even though the bribe of cutting rates below cost were offered to the public for the purpose of attracting the grain to the privately owned elevators.

### How it would be Supervised

The Government system must be supervised by an Independent Commission, the personnel of which should be acceptable to the Grain Growers. The Commissioners would determine the points where elevators would be required, determine the amount

of storage at each point, supply it, appoint the operators, fix their salaries, discharge them for cause, make regulations and administer the system generally.

The representatives of the Grain Growers in preferring their requests to the Premiers, out of courtesy to them did not emphasize their desire that the system should be operated under the supervision of an independent commission, intending to urge this so soon as the principle of government or more properly speaking, public ownership was accepted. However, it is perhaps better to remove all misapprehension by making this declaration at the present time.

### **How it would be Operated**

At each point the elevator would be in charge of an official who would operate the same under the supervision of the commissioners. He would lease the bins required for special binning, receive and weigh the grain for storage therein, after cleaning, to the extent directed by the owner, and issue a storage receipt therefor.

In the Government elevators lockers would be provided, one for each bin, wherein a sample of each wagon load after cleaning—where cleaning was demanded by the farmer—would be deposited. When the bin was full, the locker would contain an accurate sample of its contents. This sample would be forwarded to Winnipeg to form the basis of sale on sample, or a portion would be sent by the operator at the request of the owner, to any presumptive purchaser to form the basis of bidding and a check upon the quality of car lots when delivery was made. In the case of farmers shipping direct to buyers without the grain going through the terminal elevators, a weight certificate given by the operator, attested by affidavit, would be agreed upon as final as between buyer and seller, making change of seed between farmers and the shipment to local mills East and West of point of shipment, or to the large mills at Winnipeg and eastward more satisfactory than at the present time.

The operator would also be prepared to receive into certain bins reserved for the purpose such grain as was offered for sale on street by the wagon load and purchased by local buyers. The buyers would be required to take the weights of the government

official, who would be unbiased between buyer and seller. The grain would be weighed after cleaning so that there would be no more dockage than the percentage that was actually removed in cleaning.

Should it develop, which is most unlikely, that buyers were not present upon the market for such grain as would be offered by the wagon load, the operator would receive the grain to be grouped with the street grain received, according to his judgment, and a ticket would be issued to the owner indicating the amount of grain so received, with the bin into which it has been consigned. An advance could be made on this street grain by the government to the farmer to the extent of say 50 per cent. of the assumed value.

So soon as one of these bins was full of the street wheat which had been grouped together, the same could be forwarded and sold, and the difference between the percentage advanced to the farmer and the price secured, paid to him after retaining a commission for performing the service.

The operator would permit the joint occupancy of a bin by farmers desiring to ship together.

Without the intervention of the Dominion Government it would be possible to establish a sample market in Winnipeg under the supervision of the commissioners. A large room would be provided wherein samples representing the contents of the special bins all over the West would be exposed in bowls in which would be shown on tickets thrust among the grain, the name of the owner, point of shipment, the elevator, the number of the bin, also the weight per measured bushel, with, where known, the name of the Winnipeg agent who had charge of the disposal of the grain.

The system would be largely increased in usefulness by certain concessions which should be easily obtained from the Dominion Government on the request of the Provincial Governments backed by the Farmers' Associations.

By an amendment to the Grain Act, the operator of the elevator could, on application of the Provincial authorities, be made an officer of the Dominion Government for the purpose of weighing and sampling (not grading) the grain stored in the special bins.

With this extension of the power of the Provincial operator, the official weight and grade certificates could be issued to the farmer almost as soon as the filling of a bin was completed. Then, on the ticket in the bowl in the sample room in Winnipeg, could be marked the weight and grade for the further information of the purchaser. The results of a milling and chemical test could be added to this at a cost of approximately one dollar a car.

The grading would be done at Winnipeg as now, only the samples would be sent forward by the operator in advance of shipment, instead of being drawn from the cars at Winnipeg. Samples forwarded would be accurately weighed before being sent. If, on arrival, they showed shrinkage in weight, certificate would be withheld, pending investigation as to the shrinkage on the assumption that the grain was tough.

### **What Benefits would accrue to Farmers and others from its Operation**

The many benefits can only be briefly stated here. Many of them are obvious. All of the benefits inherent in a system of farmers' elevators covering every shipping point will be found in a government system with a number of additional ones.

The opportunities for plundering the farmers would be removed. The backbone of the grain combine would be broken. The general level of prices would be raised. The creation of a co-operative agency for the disposal of the farmer's grain at cost would be made easy of accomplishment. A scientific classification of grain according to its intrinsic value or the requirements of the millers, by the operation of a sample market under the most favorable circumstances would be made possible. The creation of storage in the interior where weight and grade certificates could be obtained would permit the borrowing of money by the farmer to discharge his pressing liabilities at an early date, benefitting all who have business relations with him, except the grain dealer who formerly "cinched" him.

His ability to finance on the security of his grain would permit the farmer to market gradually, so that his offerings kept step with the milling and export

demands, making the price received higher for the farmer, though not necessarily for the consumer, since the farmer would only obtain the benefit formerly absorbed by the speculator.

Every additional dollar received by the farmer will be a dollar more to spend with those with whom he has business relations. The ability of the farmer to finance on his stored grain before sale will also enable him to meet his liabilities earlier in the season, making things better for his many creditors—merchants, implement dealers and mechanics.

The elimination of street selling causing all grain to be sold in the secondary market in car lots; the establishment of a sample market where all types of grain in the West can be found exposed for sale, and where all classes of millers, large and small, Western Canadian, Eastern Canadian and European, can meet on even terms; and the offering of the grain for sale by the farmers in a leisurely manner through a co-operative agency, would be some of the results which would flow from the government ownership and operation of elevators at country points and the government ownership of the terminals with special binning privileges there.

This condition of affairs would make of Winnipeg the most scientific and highly competitive market in the world.

Interior storage, when Hudson Bay and Pacific routes are opened up, will put the owners of grain in a position to take advantage of competition in both ocean freights and markets.

Grain stored in a terminal, whether at Vancouver, Duluth, Fort William or Fort Churchill, has only one ocean route available and only one market.

### **How to obtain it**

While the organized farmers of the three provinces have in their local associations and in their annual conventions almost unanimously declared for the Government system, the general public, whether farmers or others, has had little opportunity to become conversant with the question owing to the tendency to ignore the matter as far as possible which has characterized the official mouthpieces of both political parties.

The first care, then, must be to fully inform the electorate of our demands and the reasons therefor, by the use of the press, so far as it is available, by the circulation of literature, and by the holding of public meetings.

Our next care must be by correspondence, by public meetings, and by petitions, to convince our representatives that there is a widespread and vigorous demand for Government elevators on the part of their constituents.

If, under these circumstances, our legislators fail to act, the farmers in each province must lose no time in so organizing themselves as members of their respective parties that at the next election **no one, from the Premier to the humblest occupant of the opposition benches who has failed to respond to the wishes of his farmer constituents will be able to secure a nomination, let alone be elected.**

There is little doubt that the trade unionists of the cities would assist the farmers in a fight along these lines. Labor, whether of the factory or farm, is beginning to see the necessity for concerted action to secure popular government.

Thus we can achieve our ends. Succeeding in this, the responsiveness of future legislatures to popular demands will be beautiful to behold.

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